CompTel/ASCENT

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July 16, 2004

VIA ELECTRONIC FILING

EX PARTE

Ms. Marlene H. Dortch, Secretary
Federal Communications Commission
445 12th Street, S.W.
Washington, D.C. 20554

Re: *Local Competition Rules; CC Docket Nos. 01-338; 98-147; and 96-98*

Dear Ms. Dortch:

Pursuant to Section 1.1206 of the Commission's rules, CompTel/ASCENT ("CompTel") hereby gives notice that on July 15, 2004, Dudley Slater and Greg Scott of Integra Telecom and Mary Albert of CompTel met with Commissioner Martin and Dan Gonzalez to discuss the needs of facilities-based carriers as the Commission considers the adoption of interim and permanent unbundling rules in the wake of *USTA II*. Integra left copies of the attached talking points, which summarize its position, with the Commissioner and Mr. Gonzalez.

Respectfully submitted,

Mary C. Albert
Vice President, Regulatory Policy

Encl.

Integra Telecom

Who we are

Integra Telecom is a competitive local exchange carrier headquartered in Portland, Oregon. We do business in five states: Oregon, Washington, Utah, North Dakota, and Minnesota. The company employs 602 people. We specialize in serving the small to medium sized business market.

Why Integra Telecom is different

We are the type of competitor Congress envisioned in passing the Telecom Act: we do not rely primarily on UNE-P in serving our retail customers. In fact, we support the phasing out of UNE-P, believing resale to be a viable market entry strategy. We have invested hundreds of millions of dollars in switches and other infrastructure. We did not do this as a company with a one hundred year telecom legacy or an established cable franchise. We are only eight years old, born as a direct result of the Telecom Act.

Integra Telecom investments in technology and infrastructure

Integra Telecom is the largest facilities based competitor other than the RBOCs in its five state service area, with an estimated average market penetration of 10% of the small to medium sized business market. The company has invested approximately $156 million: $67 million in switching, $56 million in network and transport, and $33 million in land, vehicles, and other assets.

The continued availability of loops and transport is critical to Integra's ability to deploy the advanced technology that the Commission wants to see develop. For example, Integra's 2004 capital budget includes VOIP capable switching. However, Integra cannot deploy VOIP to its customers without access to UNE transport and UNE loops. Moreover, the business centers in Integra's five states do not have access to cable plant and do not use wireless technologies, making the RBOC transport and loops truly monopoly, bottleneck facilities.

What Integra Telecom needs from the FCC: loops, transport and TELRIC

Even as a competitor that has invested hundreds of millions of dollars in infrastructure, we still need access to certain network elements that continue to be monopoly owned bottlenecks. Specifically, we need access to Transport (DS-3, DS-1, and dark fiber) and Loops (DS-0 and DS-1) and the continued ability to interconnect our network through ILEC collocations. DS-1 loops are critical to our business plan: 44% of our access lines are DS-1, 56% are DS-0. There are no adequate substitutes for these key elements in our markets.

We agree with light-handed regulation designed to incentivize investment in fiber. But philosophies supporting fiber investment must be consistent with real world markets.

Fiber is extremely expensive. One mile of fiber in downtown Portland costs approximately $350,000. Our average customer uses eight or fewer access lines, generating $400 or less in revenue per month. All of their needs are easily met with a single twisted pair. No business can justify an immediate investment in fiber with this customer base.

Further, fiber investment will happen but it will happen over an extended period of time, reflecting the economics necessary to justify the investment. This should not be surprising. The investment in copper infrastructure was made over a one hundred year period of time, not in one moment of time. There are many recent examples of companies that tried to make large fiber investments without the proper customer base and thereby became acquainted with the bankruptcy laws.

The only way Integra Telecom and other facilities based CLECs will have the economic base to make an investment in fiber is if they are allowed to continue growing. That growth will only happen with access to facilities already in the ground, owned and controlled by legacy, monopoly companies. Removing loops and transport from the UNE list at this time in the development of the marketplace will not incentivize investment in fiber and technology—to the contrary, it will ensure the destruction of the companies who will make the investment in the future.

What we pay for these necessary network elements must be based on TELRIC. If we are required to pay special access rates or rates based on historical, embedded costs, our business plan will fail. We have calculated the economic impact of pricing loops and transport at current special access rates instead of TELRIC rates. The result is devastating: our loop costs increase approximately 250 %; our transport costs increase approximately 700%. These increases change Integra Telecom from a company generating a cash profit for our investors to a company that is insolvent. No facilities based competitive carrier can withstand the economic impact of losing TELRIC.

The market, not government, should decide which companies and technology succeed

Our success makes clear that the market place values our products and services. The competitive telecom market is not defined solely in terms of RBOCs, cable companies, and wireless companies. In fact, in our markets, neither cable nor wireless are viable choices. Government should not be in the business of choosing which technologies or competitors succeed and which fail. Government should create a level playing field through balanced, fair regulation, and then step out of the way. We answered our government's call for competition in Telecom. Please do not treat us unfairly.

Contact:

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Integra Telecom

Talking points

*We are a facilities based CLEC that has invested approximately $156 million in switches and infrastructure. We do not rely on UNE-P for our business success.

*Our headquarters is in Portland, Oregon. We do business in five states: Washington, Oregon, Minnesota, Utah, and North Dakota. We employ over 600 people.

*On average, we have a ten percent market share.

*We earn a cash profit for our investors.

*The market we serve has characteristics that distinguish it from other markets

- -our customers are small to medium sized businesses
- -our average monthly revenue per customer is $400 or less
- -cable and wireless providers are largely absent from this market
- -almost none of our customers have multiple loops
- -no customer is willing to risk its business by going totally wireless
- -fiber loop installation is not economical
- -transport is owned almost exclusively by the RBOC

*44% of our access lines are DS-1; 56% are DS-0.

*Our 2004 capital budget includes a VOIP offering. We cannot deploy our VOIP offering without access to loops (DS-0 and DS-1) and transport (DS-3, DS-1, and dark fiber).

*If companies like us are not in the market, this customer base will have no choice but the RBOC

- -customers who leave go to other facilities based CLECs or the RBOC
- -cable, wireless, and satellite companies are not present in this market

*stable, decreasing, TELRIC-based pricing is critical to the success of Integra Telecom

- -pricing is the number one reason customers leave
- -under special access rates, loop prices increase approximately 250%; transport approximately 700%
- -does the FCC intend to increase UNE prices by TELRIC plus 15%?

*The market is choosing us; government should not choose against us.